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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002427

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SUBJECT: KMT CANDIDATE MA YING-JEOU ON PRESIDENTIAL CAMPAIGN, CROSS-STRAIT RELATIONS, DEFENSE BUDGET, REFERENDA

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: KMT presidential candidate Ma Ying-jeou discussed the presidential campaign, cross-Strait relations, the UN referendum, defense budget issues and U.S.-Taiwan relations during a meeting with the Director at Ma's campaign headquarters on October 30. Ma said he plans to continue his successful home-stay program until right before the presidential election, but will go on hiatus for the next two months to campaign for KMT legislative candidates. Ma welcomed PRC President Hu Jintao's recent proposal to restart peace negotiations, with the caveat that Taiwan's future status is not up for negotiation. Beijing was not happy about the KMT UN referendum, Ma stated, but after KMT efforts to explain this decision, Beijing now understands it was necessary to deflect DPP attacks. Referendum voting procedures threaten to complicate the legislative and presidential elections, Ma worried, but neither UN referendum is likely to pass.

¶2. (C) The Director expressed appreciation for KMT cooperation in passing the 2008 defense budget out of committee two weeks ago. Ma and his defense advisor, legislator Su Chi were optimistic that the defense budget, with funding for PAC-IIIs and F-16s, will pass before the Legislative Yuan's (LY) December 14 recess. Su asked what the USG position was on Taiwan's Hsiung-Feng II-E missile program. The Director stressed that Taiwan should use its resources to develop a strong defensive capability, and avoid deploying purely offensive weapons, which could provoke a cross-Strait military crisis. He told Ma the U.S. will want to discuss Taiwan's defense policy in detail with whoever wins next March's presidential elections. End Summary.

PRESIDENTIAL CAMPAIGN

¶3. (C) The Director met with KMT candidate Ma Ying-jeou late in the afternoon on October 30. Ma was accompanied by legislator Su Chi and former ambassador John Feng. A relaxed and slightly heavier Ma expressed confidence that his recent "home-stay" program had boosted his appeal to voters, especially in the central and southern areas he had already visited. Ma described an increasingly warm and positive "feeling" during his almost daily interactions with the public. He noted that voters had been turning up in large numbers to campaign events of their own accord, without

mobilization efforts by the campaign.

¶ 14. (C) In addition to this anecdotal evidence, Ma claimed KMT internal opinion polls also supported the conclusion that the home-stay program had increased voters' belief that Ma was sensitive to "local consciousness" concerns. Ma said it only stands to reason that reaching out to voters on their home turf would increase his local popularity. If he has the energy, Ma plans to continue the home-stay program until just before the election; however, for the next two months he will focus on campaigning for KMT legislative candidates. Ma hopes the winning candidates will return the favor by campaigning for him after the LY election on January 12, 2008.

¶ 15. (C) The Director asked Ma whether his campaign themes of economic recovery and anti-corruption would be enough to overcome President Chen's "ethnic identity" strategy. Ma acknowledged that Chen and the DPP continue to paint him as an outsider who would "sell out" Taiwan to China. But he claimed that voters, beleaguered by economic pressures, are less receptive to these attacks than they were even four years ago. Taking the opportunity to denigrate his DPP rival, Ma claimed that business revenues along Kaohsiung's Love River and City Light Park (two of Hsieh's biggest redevelopment projects) had dropped by 25 to 50 percent, forcing many businesses to close.

CROSS-STRAIT RELATIONS

¶ 16. (C) The Director observed that PRC President Hu Jintao's recent remarks could be viewed as an olive branch to whomever assumed Taiwan's presidency in May 2008. Unlike lower level

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officials like TAO Director Chen Yunlin, who has described the current situation as a crisis which could lead to war, Hu chose to emphasize the prospects for future cooperation. Ma claimed that Hu's ideas track closely with Ma's own position, supporting resumption of peace negotiations under the "'92 Consensus" of "one China, different interpretations." Ma emphasized that the Taiwan people would decide Taiwan's future status, which was not up for negotiation.

¶ 17. (C) Ma denied having any direct or indirect personal channels of communication with Beijing, but stressed the extensive network of cross-Straight contacts available to him through the KMT Central Committee Mainland Affairs Department. Ma also said PRC contacts had told the KMT that Frank Hsieh had sent envoys to the PRC several times, aiming to convince Beijing that Hsieh was "different" from Chen Shui-bian. (Comment: We hadn't heard this. End Comment.)

¶ 18. (C) At the outset, Beijing had privately expressed its displeasure to the KMT over the party's decision to go forward with a UN referendum of its own, asking why KMT leaders felt compelled to respond in kind to the DPP's UN referendum strategy. Ma expressed the belief that Beijing now understood that the KMT needed its own referendum to deflect criticism that it "does not love Taiwan," but only after the KMT (and, Ma suspected, the United States, too) had spent considerable energy explaining the demands of Taiwan's democratic political environment. The KMT policy toward re-admission to the UN has not changed from the previous 20 years, Ma insisted, except that it has now been formulated as a referendum for public consideration. Many deep-Blues remain upset that the KMT launched its own UN referendum instead of taking a stronger stand against the DPP proposal, Ma acknowledged. But that tack, he suggested, would have left the KMT open to DPP attacks that the KMT was unwilling to fight for Taiwan's "dignity."

REFERENDUM ISSUES

¶ 19. (C) Ma asserted that the "one-step" voting format proposed

by the DPP-dominated Central Election Commission (CEC) for the upcoming legislative election is a "recipe for disaster."

Under the CEC proposal, voters in the January 12 LY election would be given four ballots at once: one to choose a legislative candidate, one to choose a political party, one on the KMT-sponsored "anti-corruption" referendum, and another on the DPP's "KMT illicit assets" referendum. The CEC has done nothing to educate voters about the brand new legislative voting system, Ma argued, and adding referenda to the mix would only increase chances that voters will become confused and miscast their votes.

¶10. (C) The one-step process could also delay the legislative election results if a recount of the referendum ballots was necessary, Ma insisted. The KMT, by contrast, proposes a two-step process, in which voters would cast votes for the candidate and party of their choice, and then request one or more referenda ballots if they chose to do so. (Note: Eighteen KMT city mayors and county magistrates announced on October 24 that they would disregard CEC orders to use the one-step process, to avoid unnecessary complications of the voting process. This action could theoretically set up a legal standoff with the central government, if it insists local authorities have overstepped their bounds. End note.)

¶11. (C) Ma argued that the KMT mayors and magistrates were acting "reasonably" in taking a stand against the CEC's misguided one-step proposal. The Director then asked whether Ma was concerned that, if he were to be elected president, DPP mayors and magistrates might similarly pick and choose which central government decisions to follow. Ma insisted that, under the law, city and county governments were vested with the authority to decide voting procedures in their respective jurisdictions and did not have to defer to the CEC. The CEC does not want to test its authority on this question, Ma claimed, and for this reason has postponed its decision on the matter until November.

¶12. (C) Ma claimed that he "definitely" wants the KMT's UN

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referendum to pass, but does not expect it or the DPP version to do so. According to KMT polls, 20 percent of the public support the DPP UN proposal, while only 16 support the KMT version. Thirty-one percent of the public will not participate, and the remaining 33 percent remain undecided or have no opinion. Ma predicted that if the presidential and referenda ballots are combined as the CEC has proposed, it will increase the chances of voter confusion, making it much more difficult to predict the referenda voting results. Ma claimed it is "risky" for him as the KMT candidate to discuss the referendum, because it gives voters the impression he does not give sufficient weight to their economic hardships.

DEFENSE BUDGET

¶13. (C) The Director expressed appreciation for the KMT's cooperation in passing the 2008 Defense Budget out of the LY Defense Budget Joint Committee and onto the full LY on October 16. He asked whether Ma and his defense advisor Su Chi expected the budget to pass before the LY recessed on December 14. Both Ma and Su expressed optimism that the budget could pass by then, but did not make any promises.

¶14. (C) Su Chi asked the Director whether the U.S. had formulated its policy with respect to Taiwan's development and deployment of the Hsiung-fung II-E (HF-II-E) cruise missiles. The Director reiterated the U.S. position that Taiwan should place emphasis on its defense, and avoid deployment of purely offensive weaponry. If Ma is elected, the Director continued, defense experts from both sides must discuss HF-II-E range, warhead size, and other issues in order to clarify U.S. policy. The Director emphasized that Taiwan must not do anything which would cause the international community to question its non-aggressor status.

He also told Ma that the U.S. will want to discuss Taiwan's defense policy in detail with whoever wins next March's presidential election.

COMMENT

¶115. (C) Ma struck us as more relaxed and confident than we've seen him in recent visits. Even DPP critics credit Ma's "Long Stay" program as building his credibility with important constituencies. That said, it is still early in the campaign. The KMT presidential candidate in 2000 and 2004 squandered similar early leads through overconfidence and inept campaigning strategies. Ma is presumably well aware of this history, as well as the DPP's tradition of furious comebacks in the last stages of the race. It remains to be seen how effectively he will counter his opponents' attacks in the crucial final months of this seminal political contest.

YOUNG